



**Response to Request for Additional Information for a Waiver of the
Higher Education Student Funding Act (HESFA) Penalty
June 2, 2011**

#1 – In response to criterion #3, at the bottom of page 8, there is the statement: “Indeed, the proposed tuition increase will not fully replace approximately \$2.9 million of lost appropriations from fiscal year 2011 and 2012.” Does that mean that this tuition increase is of such an amount that it will allow for a balanced budget this year and make up at least some of the reductions in appropriations from the previous two years?

Missouri Southern State University’s Board of Governor’s adopted budget for fiscal year 2012 includes a 9.27% increase in tuition. While this increase recovers a significant portion of the revenue base lost as a result of appropriation reductions in fiscal year 2011 and fiscal year 2012, Missouri Southern State University’s fiscal year 2012 budget anticipates utilizing \$495,576 from cash reserves to balance the fiscal year 2012 budget.

#2 – The response to criterion #5 refers to the \$1.1 million previously appropriated for the “Caring for Missourians” initiative and states that without a further appropriation for that purpose, MSSU “will need to address the continuation of these programs.” It was well understood that this money was one-time in nature. Did the institution utilize these funds in a way that requires on-going financial support? If so, is the need for the support being presented as part of the justification for this tuition increase?

The support for Caring for Missourians is not directly tied to the tuition increase. However, the university is committed to this initiative and respects the critical need for more health care professionals. These dollars were utilized to provide growth in the health care programs through marketing materials, scholarships and salaries. Through the use of marketing and scholarships we are able to address retention as well as market the medical technology and respiratory therapy programs. In addition, we have seen an increase in enrollment in our nursing program. As these health science programs continue to grow, we will see increased operating expenses. We are committed to honoring Governor Nixon’s directed mandate to increase the number of graduates in the health care fields.

#3 – Criterion #6 asked for information on the institution’s budget structure. The waiver request provided information on the percent of operating expenses by functional and natural classifications for FY 10, but there is no information regarding the FY 11 or FY 12 budgets. Please provide the dollar figures associated with the percentages in the FY 10 chart and the same for the current budget year and for the budget proposed for FY 12 if available. If possible, please also provide total revenue figures by source.

FY2010 per Audited Financial Statements:

	<u>FY2010</u>
<u>Revenue:</u>	
Tuition, Fees and Auxiliary	21,521,205
State Appropriations	24,829,243
Grants and Contracts	16,708,338
Capital/Other State Appropriations	8,080,707
Other Revenue	<u>4,481,092</u>
	75,620,585
<u>Expenses by natural classification:</u>	
Compensation and benefits	35,151,106
Contractual Services	2,511,853
Supplies and materials	3,547,004
Scholarships	8,623,797
Depreciation	3,842,031
Utilities	2,012,714
Other	<u>4,597,016</u>
	60,285,521
Non-operating expenses	<u>1,183,255</u>
Change in Net Assets	14,151,809

FY2011 and FY2012 Cash Basis Budget:

	<u>FY2011</u>	<u>FY2012</u>
<u>Revenue:</u>		
Tuition, Fees and Auxiliary	19,025,223	24,286,846
State Appropriations	23,536,930	22,199,226
Grants and Contracts	19,087,195	17,063,315
Capital/Other State Appropriations	7,988,372	8,511,323
Other Revenue	<u>1,875,899</u>	<u>2,105,789</u>
	71,513,619	74,166,499
<u>Expenses by natural classification:</u>		
Compensation and benefits	37,528,669	37,575,373
Operating Expense	10,659,084	12,398,544
Utilities	2,305,003	2,350,000
Federal and State Aid	15,264,705	13,369,201
Scholarships	1,379,500	1,566,242
Bond Principal & Interest	2,391,298	2,402,715
Capital Projects and Equipment	<u>1,800,000</u>	<u>5,000,000</u>
	71,328,259	74,662,075
Change in cash position	185,360	(495,576)

(see Criterion #7 replacement of central plant – \$3.5M)

#4 – If not apparent from the information provided in response to questions 1 or 3 above, is MSSU using any reserves to balance the FY 12 budget? If so, how much and what will be the balance in the reserve after any portion of it is used for the FY 12 budget? Also, what percentage of your FY 12 budget does that reserve represent?

Yes, resources from the unrestricted cash balance will be required to balance the fiscal year 2012 budget. At the end of fiscal year 2012, we anticipate the unrestricted cash balance to be estimated at \$12 - \$14 million. This represents roughly 17% of the budget. This would cover approximately only two months of operating expenses.

#5 – The response to criterion #8 addresses actions taken to reduce costs and become more efficient. However, they are only declaratory statements with no dollar figures associated with them. Thus, it is difficult to assess their significance in adjusting to the budget realities of the past few years. Please provide whatever dollar amounts you can to reflect the savings from the measures described.

Departmental core budgets: \$597,000

Athletic program elimination: \$140,000

Elimination of across-the-board salary increase in fiscal years 2009 – 2012: Utilizing a small 2% increase, results in savings of \$2.5 - \$3 million.

Restrictions on overtime pay: \$65,000

Travel restrictions: \$572,000

Utility conservation: \$100,000 (estimated). Conservation savings were offset by utility rate increases as well as addition of some facilities.

Health Care premium cost share: \$120,000

Retirement Incentive: The incentive is a recent offering to our employees. A number of employees participated. We anticipate in future years that we will see salary savings from replacement of long-term employees with less expensive new staff. In addition, not all positions will be filled. At this time we are unable to quantify the actual savings from the incentive.

Elimination of contracted external armored bank deposit services: \$7,000